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QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES AND EXCHANGE ACT OF 1934

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange act of 1934
For the period ended March 31, 1992

OR

[ ] Transition Report Pursuant to Section 13 or 15(D) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number 0-10067

I.R.S. Employer Identification Number 95-2999428

TANDON CORPORATION

(a Delaware Corporation)
301 Science Drive
Moorpark, California 93021
Telephone: (805) 523-0340

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No__

Indicate the number of shares outstanding of each of the issuers classes of common stock, as of the latest practicable date: 64,453,061 shares of the Company's Common Stock ($0.01 par value) were outstanding as of May 6, 1992.

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Item 1. Financial Statements

TANDON CORPORATION

CONSOLIDATED BALANCE SHEETS (unaudited)
(dollars in thousands)

	March 31, 1992	December 31, 1991
ASSETS		
Current assets		
Cash and cash equivalents	$ 12,911	$ 27,606
Accounts receivable, net	52,833	60,270
Inventories	104,398	106,429
Prepaid expenses	4,671	3,597
Total current assets	174,813	197,900
Property and equipment, net	15,819	16,102
Other assets	26,212	26,947
	$ 216,844	$ 240,949
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current liabilities		
Current portion of notes payable	$ 6,466	$ 7,792
Short term borrowings	25,275	31,473
Trade accounts payable	90,361	96,080
Accrued expenses	17,969	23,307
Deferred revenue	559	592
Income taxes	47	-
Total current liabilities	140,677	159,244
Notes payable, net of current portion	15,992	16,919
Income taxes	12,550	13,692
Other long term liabilities	3,452	3,452
Commitments and Contingencies		
Shareholders' investment		
Preferred stock, 1,000,000 shares authorized, none outstanding		
Common stock, par value $0.01 per share, authorized - 100,000,000 shares outstanding - 64,299,403 shares at March 31, 1992 and 64,075,594 at December 31, 1991	643	640
Additional paid-in capital	199,711	199,536
Accumulated deficit	(144,081)	(145,121)
Foreign currency translation adjustment	(12,100)	(6,413)
	44,173	48,642
	$ 216,844	$ 240,949

The accompanying notes are an integral part of these statements.

TANDON CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(dollars in thousands, except per share data)

	3 Months Ended March 31	
	1992	1991
Net sales and other income	$ 107,993	$ 120,283
Cost of sales	77,012	83,908
Gross profit	30,981	36,375
Research and development expenses	2,686	2,758
Selling, general and administrative expenses	24,855	27,145
Interest expense	1,735	1,804
Other (income) and expenses - net	634	(1,535)
Total expenses	29,910	30,172
Income before income taxes	1,071	6,203
Provision for income taxes	31	197
Net income	$ 1,040	$ 6,006
Earnings per share:		
Primary	$ 0.02	$ 0.09
Assuming full dilution	0.02	0.09
Number of shares used in the per share computations (in thousands)		
Primary	66,492	67,166
Assuming full dilution	66,492	67,601

The accompanying notes are an integral part of these statements.

TANDON CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(dollars in thousands)

	3 Months Ended March 31, 1992		3 Months Ended March 31, 1991	
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:				
NET INCOME		$1,040		58,008
Adjustments to reconcile net income to cash provided (used) by operations:				
Depreciation and amortization	$2,210		$1,464	
Provision for doubtful accounts	901		1,000	
Inventory provisions	0		1,974	
Warranty provision	2,070		1,941	
Loss on sale of assets	157		90	
Increase (decrease) in income taxes	(142)		198	
Effect of exchange rate changes on operating assets	(4,961)		(12,858)	
CHANGES IN OPERATING ASSETS AND LIABILITIES:				
(Increase) decrease in accounts receivable	8,448		(9,870)	
Decrease in inventories	2,031		8,311	
Increase in prepaid expenses	(1,074)		(1,431)	
Decrease in accounts payable	(5,719)		(4,621)	
Decrease in accrued expenses	(7,408)		(3,389)	
Decrease in deferred revenue	(33)		0	
(Increase) Decrease in other assets	19		(72)	
Increase (decrease) in income taxes	47		(274)	
Total adjustments		(5,389)		(17,249)
NET CASH USED BY OPERATIONS		($4,349)		($11,243)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:				
Capital expenditures	($2,192)		($1,351)	
Effect of exchange rate changes on non-operating assets	827		793	
NET CASH USED IN INVESTING ACTIVITIES		(1,365)		(558)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:				
Decrease in short term borrowings and notes payable	($7,475)		($2,087)	
Payment of long term debt	(927)		(830)	
Principal payments under capital lease obligations	(49)		(37)	
Proceeds from issuance of common stock	178		335	
NET CASH USED IN FINANCING ACTIVITIES		($8,273)		(2,419)
Effect of exchange rate changes on cash		(709)		(1,900)
NET DECREASE IN CASH		($14,803)		($16,120)
Cash at beginning of period		27,804		57,626
Cash at end of period		$12,911		$41,506

The accompanying notes are an integral part of these statements.

TANDON CORPORATION
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS

There were no significant non-cash transactions during the quarters ending March 31, 1992 or March 31, 1991.

TANDON CORPORATION
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS

There were no significant non-cash transactions during the quarters ending March 31, 1992 or March 31, 1991.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1992

The consolidated financial statements include the accounts of Tandon Corporation (the Company) and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements included herein have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The consolidated financial statements should be read in conjunction with the Company's December 31, 1991 consolidated financial statements and notes thereto, included in its Annual Report on Form 10-K (SEC File Number 0-10067). Certain information and footnote disclosures which are normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to SEC rules and regulations. The Company believes that the disclosures are adequate to make the information presented not misleading. The information reflects all adjustments which, in the opinion of Management, are necessary for a fair presentation of the financial position and results of operations for the interim periods set forth herein. All such adjustments are of a normal and recurring nature. The results for the three month period ended March 31, 1992 are not necessarily indicative of the results for the entire year ending December 31, 1992.

In August 1991 the Company issued 62,070 shares of its common stock in exchange for all of the outstanding common stock of Positive Corporation (the acquired company), a company that sells personal computers through membership buyers' clubs. The acquisition has been accounted for under the pooling of interests method and accordingly, the Company's financial statements have been restated to include the accounts and operations of the acquired company. Certain reclassifications have been made to the acquired company's historical accounts to conform to the Company's presentation.

Net sales and other income and net income of the Company and Positive Corporation for the three months ended March 31, 1991 (prior to the acquisition) were as follows:

(dollars in thousands except per share data)	Three Months Ended March 31, 1991
Net sales and other income:	
Previously reported	$ 112,724
Acquired company	7,559
	$ 120,283
Net income:	
Previously reported	$ 7,836
Acquired company	(1,830)
	$ 6,006
Earnings per share:	
Primary	
- Previously reported	$ 0.12
- After pooling of interest	0.09
Assuming full dilution	
- Previously reported	$ 0.12
- After pooling of interest	0.09

Costs related to the acquisition, which were immaterial, were charged to expense in the quarter ended September 30, 1991.

The functional currency of the Company's foreign subsidiaries is the respective local foreign currency. Accordingly, the assets and liabilities of the Company's foreign subsidiaries as of March 31, 1992 and December 31, 1991, have been translated into United States dollars at the exchange rates prevailing on those respective dates. Results of operations were translated using the average exchange rates prevailing throughout the period. The effects of translating the financial statements of the foreign subsidiaries have been included in the Company's balance sheets in a separate component of Shareholders' Investment at March 31, 1992 and December 31, 1991, entitled "Foreign currency translation adjustment".

The total income tax provision differs from the amount computed by applying the statutory federal income tax rate to income before tax as follows (dollars in thousands):

	Three Months Ended March 31, 1992	
	Amount	Percent
Income before income taxes	$1,071	100.0
Federal income tax at statutory rate	$ 364	34.0
United States net operating loss carryforward	(364)	(34.0)
Tax effect of alternative minimum tax rate vs. regular rate	157	14.7
Foreign and state income taxes	24	2.2
Favorable resolution of various tax issues previously reserved against	(150)	(14.0)
	$ 31	2.9

The Company adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" on January 1, 1988. The statement has no effect on the financial statements.

See Note (1) of the Company's December 31, 1991 Notes to Consolidated Financial Statements for an explanation of the Company's significant accounting policies.

Accounts Receivable are stated net of an allowance for doubtful accounts of $12,186,000 at March 31, 1992 and $12,401,000 at December 31, 1991.

Inventories are priced at the lower of cost (first in, first out) or market. Inventories for the respective periods are as follows (dollars in thousands):

	March 31, 1992	December 31, 1991
Raw Materials	$ 26,036	$ 33,343
Work in Process	3,215	3,127
Finished Goods	75,147	69,959
	$104,398	$106,429

The inventory balances are stated net of reserves of $31,076,000 at March 31, 1992 and $34,873,000 at December 31, 1991.

Earnings per share:

Primary earnings per share have been computed by dividing net income by the weighted average number of common shares and common share equivalents outstanding during each period. Common share equivalents include the number of common shares issuable upon the exercise of stock options reduced by the number of shares which could have been purchased with the proceeds from the exercise of such options. These purchases were assumed to have been made at the average market price of common shares during the periods. During periods of net losses, there is no dilutive effect for common share equivalents.

Fully diluted earnings per share have been computed on the assumption that all outstanding stock options having a dilutive effect on earnings per share were exercised. Outstanding shares were increased as described above for primary earnings per share except that purchases of common shares were assumed to have been made at the higher of either the market price of the common shares at the end of the period or the average market price during the period. During periods of net losses, there is no dilutive effect for common share equivalents.

The computation of primary and fully diluted earnings per share is detailed as follows:

	3 Months Ended March 31, 1992	March 31, 1991
Net income used to compute primary and fully diluted earnings per share	$ 1,040,000	$ 6,006,000
Weighted average number of shares outstanding	64,218,868	62,677,102
Dilutive effect of stock options	2,273,323	4,488,559
Number of shares used to compute primary earnings per share	66,492,191	67,165,661
Additional dilutive effect of stock options	---	435,031
Number of shares used to compute fully diluted earnings per share	66,492,191	67,600,692

Stock Options - 1988 Stock Option Plan and the Positive Corporation 1991 Stock Option Plan:

At March 31, 1992 and March 31, 1991, options to purchase 9,863,496 and 8,923,652 shares of common stock, respectively, were outstanding under both plans. The options outstanding at March 31, 1992, had exercise prices ranging from $0.56 to $4.19 per share. During the three month period ended March 31, 1992, options to purchase 100,000 shares were granted and options for 223,838 shares were exercised. See Note 5 of the Company's December 31, 1991 Notes to Consolidated Financial Statements for an additional explanation of the Company's stock option plans.

For further information, see Item 11 in the Company's Form 10-K for the year ended December 31, 1991.

Item 2. **Management's Discussion and Analysis of Financial Condition and Results of Operations**

Changes in Financial Condition

Historical financial data included in this section has been restated, where applicable, to include the accounts and operations of the company acquired in August, 1991. The acquisition was accounted for under the pooling of interests method. For further information, refer to the Notes to Consolidated Financial Statements in this Form 10Q.

In the following comparisons of the assets and liabilities of the Company as of March 31, 1992 and December 31, 1991, the effect of currency movements is pronounced on assets and liabilities which are not U.S. dollar based. The dollar strengthened against major European currencies when comparing the rates of exchange at March 31, 1992 to the rates at December 31, 1991. The result of this strengthening was to translate foreign currency based assets and liabilities into fewer dollars. The effects of translating the financial statements of the foreign subsidiaries have been included in the Company's balance sheets in a separate component of Shareholders' Investment entitled "Foreign currency translation adjustment."

Cash management continued to provide a significant challenge during the quarter ended March 31, 1992 as cash balances declined by $14,693,000. Cash was utilized by operating activities ($4,349,000), by investing activities ($1,365,000) and by financing activities ($8,273,000).

Utilization of cash in operations was primarily the result of decreases in accounts payable ($5,719,000) and accrued expenses ($7,408,000). These cash usages were partially offset by decreased accounts receivable ($6,446,000) and decreased inventory ($2,031,000).

Accounts payable decreased as a result of vendor payments exceeding the incurrence of additional liabilities. A significant portion of the remaining trade accounts payable has matured beyond customary industry terms. The Company continues to negotiate repayment schedules for accounts payable which have reached extended time periods. In certain instances, these negotiations have yet to yield the desired results and therefore the Company has experienced shortages in parts and components which have caused production delays and inefficiencies. Negotiations which have been completed are under terms satisfactory to the Company.

Accrued expenses decreased primarily as a result of utilization of (1) the restructuring reserve for related expenses and (2) the warranty reserve for normal third party and internal repair costs.

The decrease in accounts receivable was primarily due to lower sales volume during the current period and the effect of the strengthened U.S. dollar on European currency denominated receivables. Inventories decreased due to lower inventory purchases and as a result of the effect of the strengthened U.S. dollar.

Cash used in investing activities was required to support sales, manufacturing and distribution activities on a worldwide basis.

Financing activities utilized $8,273,000 as a result of a reduction in accounts receivable based borrowings due to reduced sales levels, reduced borrowings against inventory, payments on notes payable incurred in the acquisition of both a cross license agreement and a company, and payments on a vendor note payable.

Certain borrowing agreements contain, among other covenants, a covenant relating to a minimum net worth-to-assets ratio. At March 31, 1992, the Company was in non-compliance with that covenant under a $3,391,000 loan from one bank which the Company has further reduced to $2,277,000 at April 25, 1992. The Company has not received any formal notices of non-compliance on any covenants from any borrowing sources.

The Company is currently operating on (1) cash generated from operations, (2) the utilization of existing cash balances, and (3) borrowings from finance companies and European banks. A standby letter of credit of $500,000 to a vendor is provided by a European bank. In the U.S., subsequent to March 31, 1992, the Company reactivated a flooring arrangement to address its business requirements in that marketplace.

Cash resources will continue to be required to support sales and to expand the Company's presence in the worldwide market. These resources could be obtained by a combination of increasing its current borrowings available under existing credit lines and establishing new lines of credit. The inability to acquire these additional resources or to maintain existing lines of credit would cause the Company to operate at levels significantly below those currently anticipated. In addition, the continued cooperation of major vendors with respect to matured accounts payable and arrangements for continuing procurement of materials and components also remain important. In light of these issues, liquidity and cash management continue to be areas of significant on going concern for the Company.

Changes in Results of Operations
For the Three Months Ended March 31, 1992

Net sales and other income (net sales) for the three months ended March 31, 1992 were $107,993,000, representing a decrease of 10% from $120,283,000 for the quarter ended March 31, 1991. The

Company's European revenues in the current quarter were $83,929,000 (78% of net sales) compared to the $101,402,000 (84% of net sales) in the prior year's quarter. The significant decline in European revenues was primarily attributed to (1) the continuing economic slowdown in Western Europe, (2) increased competition in the European market, (3) the strengthening of the U.S. dollar against European currencies when comparing the exchange rates for the quarter ending March 31, 1992 against the rates in effect for the same quarter in 1991; and (4) the worldwide shortage of key allocated component parts, such as certain hard disk drives, during the quarter ending March 31, 1992. For the reasons explained above in Changes in Financial Condition, the Company also experienced availability problems on certain other components and complete systems purchased from various vendors.

Net sales increased in the North American market primarily as a result of increased sales in the mass merchandising channel and as a result of the inclusion of a direct marketing company which was acquired in the second quarter of 1991. Partially offsetting those increases was a decrease in Tandon's traditional North American distribution channels.

During the current quarter no single customer accounted for more than 10% of sales.

The gross margin percentage for the quarter ended March 31, 1992 was 29% compared to 30% for the same period in 1991. Adversely affecting margins were: (1) increased selling price competition in the worldwide marketplace; (2) the strengthening of the U.S. dollar in relation to European currencies during the current quarter in comparison to the same quarter in the prior year, which translated into lower sales dollars against primarily constant dollar based cost of sales; and (3) a growth in sales to low margin mass merchandising customers. Offsetting the unfavorable items above in the quarter ended March 31, 1992 were lower material costs of the products sold and lower manufacturing costs due to the restructuring effort initiated in the second half of 1991. Further, the gross margin for the quarter ended March 31, 1991 was decreased by $1,874,000 in inventory provisions for excess and obsolete inventory, as well as revaluation of certain items to market value. Such provisions were not required in the first quarter of 1992.

Research and development expenses were essentially unchanged at $2,686,000 or 2.5% of net sales and other income for the three months ended March 31, 1992 as compared to $2,758,000 or 2.3% for the same period in 1991.

Selling, general and administrative (SG&A) expenses for the current quarter were $24,855,000 or 23% of net sales as compared to $27,145,000 or 23% for the same period in 1991. The dollar

decrease was attributable to the Company's efforts to reduce expenses through restructuring. Such restructuring expenses applicable to SG&A were approximately $2,800,000. These restructuring expenses were charged against the restructure reserve established in the second half of 1991.

Included in other income and expenses was $1,093,000 of realized losses on foreign exchange for the quarter ended March 31, 1992, compared to realized gains of $111,000 for the quarter ended March 31, 1991.

Primarily as a result of the above mentioned factors, the Company had a pre-tax profit of $1,071,000 for the quarter ended March 31, 1992, compared to the pre-tax profit of $6,203,000 in the first quarter of 1991. After provisions for income taxes of $31,000 and $197,000 for the quarters ended March 31, 1992 and 1991, respectively, the Company had net income of $1,040,000 and $6,006,000 for the respective periods.

Impact of Fluctuations in Currency Rates:

When the value of the United States dollar weakens against other currencies, revenues from sales made in those currencies translate into more dollars. Conversely if the dollar strengthens against certain currencies, the dollar revenues from sales in those currencies translate into fewer dollars.

Similarly, operating expenses in foreign currencies are impacted by these fluctuations in exchange rates.

The dollar strengthened when comparing the value of the dollar to European currencies over the three months ended March 31, 1992 to the corresponding period in 1991. This caused an unfavorable impact on European based sales offset by a favorable impact on European based operating expenses.

Tandon's operations remain vulnerable under a strengthening dollar scenario as the vast majority of its sales are in non-dollar based currencies. The expected offsetting effect to cost of sales is limited, as inventory and related costs are predominantly dollar based.

Impact of Weakening World Economies:

The Company's future results are subject to the worldwide political and economic uncertainties of the times. The effects of such uncertainties on the Company's performance are currently impossible to predict.

PART II - OTHER INFORMATION

Item 6. **Exhibits and Reports on Form 8-K**

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TANDON CORPORATION

Date: May 14, 1992 By: _____
Denis J. Trafecanty
Vice President - Finance
(Principal Financial Officer)

Date: May 14, 1992 By: _____
Ranjit Sitlani
Executive Vice President